

STAND.. COM. REP. NO. **2605**

Honolulu, Hawaii

MAR 02 2012

RE: S.B. No. 2238  
S.D. 1

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2238 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to repeal Act 155, Session Laws of Hawaii 2010.

Written comments in support of this measure were submitted by the Chamber of Commerce of Hawaii.

Your Committee finds that Act 155, Session Laws of Hawaii 2010, was enacted to improve the efficiency of the state general excise tax by requiring all businesses with excise tax exemptions to register to do business in Hawaii, file their tax returns in a timely manner, and expressly claim their entitlement. Your Committee also finds that, while well-intentioned, it is unclear whether Act 155 has resulted in any increase in tax revenues.

Your Committee also finds that Act 155 imposes disproportionately severe penalties for failure to file tax returns. These penalties include forfeiture of any general excise tax benefits (exemptions, deductions, income splitting, credits, wholesale rates) of a taxpayer who fails to file an annual return in a timely manner, regardless of whether the taxpayer has filed all necessary periodic returns or has any tax liability.



Your Committee has received written comments indicating that the taxpayers most likely to inadvertently violate the technical requirements of Act 155 are small businesses, individuals, and non-profit organizations who are least likely to have access to sophisticated tax advice and are least able to bear the burden of such severe penalties. Your Committee believes that repealing Act 155 will make the state general excise tax law fairer and more reasonable.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2238, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2238, S.D. 1.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



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DAVID Y. IGE, Chair



The Senate  
 Twenty-Sixth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <i>SB 2238</i>	Committee Referral: <i>EOT, WAM</i>	Date: <i>2-23-12</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
FUKUNAGA, Carol	✓			
KIM, Donna Mercado	✓			
KAHELE, Gilbert	✓			
KOUCHI, Ronald D.	✓			
RYAN, Pohai	✓			
TOKUDA, Jill N.	✓			
WAKAI, Glenn	✓			
SLOM, Sam	✓			
<b>TOTAL</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>0</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">Michelle N. Kidani</div>				
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\*Only one measure per Record of Votes